

WARRANT COMMITTEE FY07 MEETING MINUTES  
OCTOBER 25, 2006  
7:30 P.M. CHENERY MIDDLE SCHOOL  
COMMUNITY ROOM

Handouts: Building Services request for Reserve Fund Transfer  
Explanation of FY06 Free Cash sources & comparison to FY05  
Comparison of Health Insurance Options for Belmont  
Proposal for Allocation of \$5M in Free Cash  
FY07 Subcommittee Assignments

Other Attendees: Treasurer Carman, Town Administrator Younger, Assistant Town Administrator Conti, and Town Accountant Hagg.

Members Absent: Member Hofmann

Meeting was called to order at 7:30 p.m.

Minutes of October 11, 2006 were accepted with changes.

Subcommittee assignments were distributed by Chair Jones. He asks that subcommittees contact departments under their jurisdictions gathering the following standard information: what are their budgets, head counts (FTEs), expenditures for FY06, turn backs to the Town in FY06, FY07 experience to date, and organizational chart. We should have this information for WC before the end of November. Discuss the FY07 experience to date in the departments.

#### FREE CASH EXPLANATION

Floyd Carman is publicly thanked by the Warrant Committee for his work in collecting past due receivables. Town Accountant Hagg provided a brief description of the source of the \$5M of free cash. Chair Jones explained that these were one time revenues. The question now is the use of those funds.

School Chair Gibson states that the school budget is \$430K less than what was needed to achieve a level service budget. Member Heigham stated that absent another STM this could not be voted this year.

Member White has a proposal for the use of the free cash. Using the principle of one time money used for one time expenses, recurring expenses may not be able to be funded in future years if we use the free cash for operating costs. Recognizing \$5M is available - \$800K for FY08 budget, \$1M left in Unreserved for future possible needs, \$2.5M for a Special Purpose Stabilization Fund for highway and building repairs (with greater than 20 years of useful life), and start the funding of Post Employment Health Care.

Member Gibson explained that free cash comes out of the operating budget and should be put back there. Also, children only have one time to get an education, one time to be in Kindergarten, one time to be a senior.

Member Curtis stated that a Stabilization Fund does not preclude the use for the school department.

Member Paolillo asked if FY08 capital budget could be reduced for roads or building repairs because of this stabilization fund. Member White explained that it is unlikely that the road work and building work could be fully addressed by this fund. Also, supplanting those funds was equivalent to putting the free cash into the operating budget.

Member Allison stated that the ESCO savings were used for the HVAC units on top of the High School. Would this be an example of a type of expense that may qualify? Member White said maybe.

Member Tillotson asked about the proposal to use \$700K for post employment.

Member Brusch is interested in a Special Purpose Stabilization Fund for Buildings and Roads and putting all one time money into this fund - sale of Woodfall Road (available for the Wellington School and HVAC units on BHS and major repointing projects). She had been hopeful that the roof replacement project could be switched to other needs but roofs that were in good shape ten years ago are no longer in good shape.

BOS Chair Solomon would like to see the operating budgets before the BOS makes any decisions on these proposals.

## HEALTH CARE PRESENTATION

Member Curtis would like to discuss self insurance and Lexington's experience in this regard. A chart was distributed showing Harvard fully insured vs. the Self funded option. Although each has expected growth, the base line for FY07 under a self insurance option would be substantially less. The re-insurer prepared these figures. Costs include claims, administration and stop loss for self funded option. The fully insured option includes the same expected claims but the "other costs" are approximate 40% of claims. The projection in costs for the difference between the two options is \$2.5M. Stop loss would be purchased to kick in at \$8.6M based on the stop loss quote received. If we had the same increase in premium based coverage, the worse experience is reflected in the following year rates. The premium model will always charge back to the town for any loss they see. Member Curtis is recommending keeping the same appropriation & fund the IBNR (Incurred but not reported). The largest problem with self insurance programs is the not funding of this IBNR. The first few months will probably not reflect the claims (paid for by the premium plan) but this delay in payment is incurred but not yet billed. Member Curtis is recommending a reserve of \$3M & this would protect the Town for four months of claims plus 25%. It is important that these monies be only used for the purpose that it is appropriated for. If we build this stabilization fund, the appropriation can eventually be stabilized for several years. All figures on the charts provided are estimates but the relationship between the two options is the important point. There would be two funds, one for the ongoing expenses and \$3M IBNR but an additional fund for a Stabilization Fund for future years that are exceeding a 10% Increase. Chair Jones asked about stop loss insurance if there were many more claims than had been anticipated. The re-insurer at some point may state that their \$8.6M kick in for stop loss may go up to \$10M or \$11M.

Member Allison is concerned that we still have not answered why this did not work in the past, administrative cost for the town to administer the fund, higher claims because of change in rules for "friends or neighbors". The claim administrator decides the claims. Yes the Town is the ultimate decision maker but Belmont must maintain the rules and be evenhanded. We will be using all the Massachusetts rules but Massachusetts is one of the most liberal states in the country. Yes, we could be sued for not approving claims - it is a question of whether we would not be in the same position now. We do need to find out why this did not succeed the last time but may never find out why. Some of the reasons for failure are poor provider contracts, failing to maintain an adequate reserve, and if there are really really adverse claims. Member Heigham asked what happened last time - he asked if BOS Member Brownsberger or Mel Kleckner can discuss those reasons. Member Oates asked what other communities use this and why others have stopped.

Younger stated that he received 15 responses from other communities. Communities that got out of it were Reading, Brookline, Hingham, Westborough, and Norwood because of very poor experience and recommended a large reserve (base) to support the costs.

Wilmington, Bourne, Lexington, Cambridge are self insured. School Committee Chair Gibson asked what other difficulties were experienced. Younger stated management of how rates are determined. Member Curtis again stated that administration of claims would be handled by an outside claims processing company. We must have the discipline to have a reserve. He further suggests that hiring a company to develop a wellness program would be worthwhile to the town and our future costs, not reducing the costs of HPHC so that their revenues increase. Member Callanan asked about the collective bargaining necessity. The Town Counsel has advised that the proposed change would not require bargaining with unions.

Chair Jones asked about the setting of the premium rates. Although the WC would no doubt want to keep the largest reserve possible, the unions and Insurance Advisory Group would no doubt want to have input into this.

Member Paolillo would like more information on our past experience and perhaps a speaker from Wilmington or another community.

There have been no claims in Belmont within the past two years that would have been covered by a re-insurer. Self funding is a year to year proposition and would require that we continue to keep a consultant on retainer for reviewing claims and the viability of continuing the self insurance fund.

Member Curtis has a 50 page report from Lexington that comes to the same place that Belmont has come with all of the same recommendations. They have realized savings from Self Insurance Trust Fund but the savings have gone to the general fund and not to reinforce the trust fund reserves. Lexington has tried to join West Suburban and MIAA and in both cases backed out those plans for various reasons.

Again, Chair Jones would like more information on history in Belmont. Adequate oversight and keeping correct reserves is important. In his own business he bids the costs regularly on both bases in order to see what the market has to offer and picks the most advantageous policy. Member Heigham asks if we can have Mel Kleckner come to speak with us along with Arlington and Wilmington.

#### RESERVE FUND TRANSFER FOR FIRE DEPARTMENT

Chief Frizzell stated that the 1996 Ford Explorer was in an accident coming back from a training class on the South Shore. It was towed back to town; the estimate for repair parts only, was \$5-6K. If this was a newer vehicle it would be worthwhile but this has been on the replacement schedule for several years. Several options were looked at: used vehicle (unknown history-issues or high mileage), auction (but high end with leather seats and CDs) or ultra low end vehicles, or rates for new vehicles. The cost would be \$29,900 since some of the equipment from the current vehicle could be used. Member Heigham made a motion to approve the Reserve Fund transfer. This will decrease the number of vehicles being requested next year by one from the Capital Budget Committee. Currently the training officer is using his personal vehicle. This vehicle averages 6-8K miles per year. Since this accident was our fault, there were no insurance proceeds - we self insure this portion of our potential liabilities.

Motion to adjourn at 9:15 by Member Heigham.